

Revenue Approval for One-Member Schemes

Pension Advisory Services




Why Revenue Approval matters

Revenue approval is an important step in establishing a company pension scheme. Without Revenue approval the tax benefits we associate with company pensions are not available.

Obtaining Revenue Approval

When you complete a new application for a one-member company pension scheme Irish Life will submit it to Revenue for approval.

In order to apply for approval we require certain information which we ask for as part of the company pension application.

Information required for Revenue Approval	
The scheme must be established under irrevocable trust	 The Letter of Exchange is the trust document which establishes the scheme under irrevocable trust
The member must be a PAYE employee of the employer	 A copy of the member's recent payslip or P60 is required to verify this
The contributions to the scheme must be within overall Revenue maximum limits	 There are a number of pieces of information needed to determine this all of which are asked for on the application form <ul style="list-style-type: none">• Salary• Member's age & marital status• Date current PAYE employment started• Normal retirement age• Details of all the member's pension benefits from current and previous employments as well as previous periods of self employment

Common Problems

There are a number of common problems that we see which delay the granting of Revenue approval.

1. Members not set up as an employee of the company

The Revenue Commissioners have advised that they see a significant number of cases where the member was not registered as an employee. This tends to be an issue with company directors, they start taking schedule E income from the company but forget to register themselves as PAYE employees.

To avoid delays and confusion it is important that directors and their accountants are aware that they must register as a new employee of the company by way of Form P45 (part 3) or P46 using Revenue's online system, ROS.

As part of their PAYE modernisation programme Revenue are sending approximately 30,000 letters to employers requesting up to date employee information. These letters are being issued following a review by Revenue of employer P35s where it came to light that there were employees included on those returns and ROS had not been updated to inform Revenue that those employees had started that employment.

2. Date employment started = date Schedule E (PAYE) income commenced

For pension purposes only years where the employee is registered with Revenue as receiving Schedule E income can be counted as a year of service, so the employment start date is always the date the employee began to receive Schedule E income and was registered with Revenue as a new employee.

Confusion can arise when dealing with company directors as they may have worked for a number of years to establish the company before they were in a position to start taking Schedule E income. When asked for a start date they may give the date they began working with the company instead of the date they starting receiving a Schedule E (PAYE) salary.

This can cause two problems

- Revenue will question why the employment start date on the pension application does not match their records. This will delay the granting of Revenue approval.
- It can also impact of the funding limits. The maximum contribution is based on the number of years of service with the company. The funding check will have to be re-run when the correct start date is received and it may mean that the proposed contribution is outside the funding limits.

3. Details of the member's other pension benefits

This information is needed to run the Revenue maximum funding quote and it includes all pension benefits from previous employment, previous periods of self-employment as well as current employment. The table below gives an indication of the detail needed

	DC Schemes & PRBs	DB Schemes	Personal Pensions & PRSAs
Current Employment	<ul style="list-style-type: none"> • Normal Retirement Age • Current value • Employer contributions • Employee contributions • Scheme Name • Name of Life Office 	<ul style="list-style-type: none"> • Normal Retirement Age • Pension payable at NRA • Lump Sum payable at NRA • % Spouse's pension • Current value of AVCs • Employee contributions • Scheme Name • Name Administrator 	<ul style="list-style-type: none"> • Current Value • Name of Life Office / PRSA Provider
Previous Employment	<ul style="list-style-type: none"> • Normal Retirement Age • Current value • Scheme Name • Name of Life Office 	<ul style="list-style-type: none"> • Normal Retirement Age • Pension payable at NRA • Lump Sum payable at NRA • % Spouse's pension • Current value of AVCs • Scheme Name • Name Administrator 	<ul style="list-style-type: none"> • Current Value • Name of Life Office / PRSA Provider
If retirement benefits have been paid	<ul style="list-style-type: none"> • Date benefits were paid • Total value of the fund at the date retirement benefits were paid, including lump sum 	<ul style="list-style-type: none"> • Date benefits were paid • Gross retirement lump sum • Annual pension income in the first year of payment • Final value of AVCs 	<ul style="list-style-type: none"> • Date benefits were paid • Total value of the fund at the date retirement benefits were paid, including lump sum

4. Is the employer a registered company, partnership, sole trader?

While a sole trader or partner cannot set up a company pension for themselves, they can set up a company pension for their employees. If the employer is a sole trader or partnership this may have an impact on who acts as trustee of the scheme.

The letter of exchange in the Complete Solutions Company Pension application form appoints the trustees of the scheme. The letter of exchange gives the employer the option to act as trustee or to appoint an independent trustee, either Dedicated Trustee Services (DTS) or Independent Trustee Services (ITS).

However, the option for the employer to act as trustee is only available where the employer is a registered company. If the employer is a partnership or sole trader then they will need to select an independent trustee.

Questions to Ask

Where the information provided is incomplete or where it does not match Revenue's own records it will be questioned by Revenue and will delay the granting of approval. In some more extreme cases the scheme will not be approved and must be cancelled and contributions refunded to the employer, subject to Corporation Tax.

To try and avoid these problems and reduce delays in obtaining Revenue approval we have put together a number of questions that you can ask the director or the accountant to ensure you get all the information you need.

- Has the member / director registered as an employee of the company on ROS?
- Is the member / director in receipt of Schedule E income from the employer? A copy of recent payslip or P60 will be needed.
- When did the member / director start to receive Schedule E income? This is the date their employment started.
- Has the member / director other pension schemes for this employment? What is the normal retirement age of those schemes? This is important as all schemes for the same employment must have the same normal retirement age.
- Is the employer a registered company, a partnership or a sole trader? You can also quickly see if the employer is a registered company is on the Companies Registration Office's website www.cro.ie. You can search by name or company registered number. If the search comes back with "C" under "Type" then it is a registered company, see example below. If it comes back anything other than "C" then further investigation would be needed.

Name	Number	Address	Type
IRISH LIFE ASSURANCE PUBLIC LIMITED COMPANY	152576	IRISH LIFE CENTRE, LOWER ABBEY STREET, DUBLIN 1.	C

Please Note: The information contained in this document are based on Irish Life's understanding of legislation and Revenue Practice as at November 2017 and may change in the future. While great care has been taken to ensure the accuracy of the information contained in this document, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.